Case: Brazos Partners and the Tri-Northern Exit,
Due: 2.20.2017

Brazos Partners and the Tri-Northern Exit,

Our course is covering both VC and PE. VC is, of course, a type of PE that happens to specialize on start-up and new ventures. PE buy out funds – specifically those working on small private firms – face many of the same issues. The valuation step does not usually involve the rapid growth possibilities but many of the other nettlesome issues are still there. As you work your way through this case, keep in mind the contrast of the PE activities here relative to the VC cases we have looked at.

Background

Randall Fojtasek, a partner at the Dallas-based Brazos Private Equity Partners, must decide whether now is the time to sell his firm’s investment in Tri-Northern Distribution. Brazos, a middle-market leveraged buyout group, created the company two years earlier through the acquisition of two electronic security distribution companies: Tri-Ed Distribution and Northern Video Systems. Twenty-four months after successfully integrating the two companies, Brazos has received two attractive offers for the combined distributor. With the company’s management projecting double-digit growth for 2012, however, it is far from clear that now is the optimal time to exit for the firm’s third fund.

Suggestions / Case Questions

• What is Brazos’ investment strategy? Does it make sense? How did the dual-acquisition of Tri-Ed and Northern video fit within this strategy?
How has the market climate affected Brazos’ investment strategy for its third fund, in both favorable and unfavorable ways?

Following the acquisition, in what ways did Brazos create value at the combined distributor? Are there still opportunities for further improvements?

If Brazos were to accept one of the proposed buyout offers, how would the returns compare with the firms February 2010 projections?

Is now the right time to sell Tri-Northern? At what price?